

Message Text

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E.O. 11652: N/A

TAGS: ELAB, UK, PINT

SUBJECT: THE SOCIAL CONTRACT REVISITED: A GAME OF
TRUTH OR CONSEQUENCES

1. BEGIN SUMMARY - IN RETROSPECT, THE SOCIAL CONTRACT
MAY BE VIEWED, IN ONE SENSE, AS A BRILLIANT POLITICAL
DEVICE WHICH HELPED TO FORGE UNITY BETWEEN THE TWO WINGS
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OF THE BRITISH LABOR MOVEMENT -- THE PARTY AND THE TRADE

UNIONS, THUS CONTRIBUTING TO THE LABOR PARTY'S OCTOBER VICTORY. IN ANOTHER SENSE, IT MIGHT ALSO BE -- AS A NUMBER OF GOVERNMENT MINISTERS, PARTICULARLY MICHAEL FOOT, CONTEND -- THE CURRENTLY VIABLE AND POLITICALLY ACCEPTABLE APPROACH TO INDUSTRIAL RELATIONS. BUT THERE ARE SOME GOVERNMENT LEADERS, INCLUDING THE PRIME MINISTER HAROLD WILSON AND THE CHANCELLOR OF THE EXCHEQUER, DENIS HEALEY, WHO ARE SERIOUSLY CONCERNED ABOUT THE STRETCHING OF THE CONTRACT'S FABRIC, INHERENT IN THE RECENT MINERS' SETTLEMENT, AND IN OTHER MAJOR ONGOING NEGOTIATIONS, SUCH AS THE POWER SUPPLY AND RAILWAYS SITUATIONS. BOTH WILSON AND HEALEY HAVE WARNED -- AS WILSON PUT IT OF THE "VERY SERIOUS CONSEQUENCES" (READ INCREASED UNEMPLOYMENT) WHICH MAY FOLLOW FURTHER EXCESSIVE SETTLEMENTS. THE TUC, FOR ITS PART, AFTER REFUSING TO TIGHTEN ITS CONTRACT WAGE GUIDELINES, HAS RESPONDED BY DECLARING THAT POLITICIANS SHOULD SPEND MORE TIME PRAISING THE SOCIAL CONTRACT AND LESS TIME LISTING BREACHES OF IT. IN ANY EVENT, THE MOMENT OF TRUTH MAY BE APPROACHING. END SUMMARY

2. THE MINERS' SETTLEMENT (DETAILED PROVISIONS TRANSMITTED BY AIRGRAM) HAS BEEN ACKNOWLEDGED PRIVATELY TO BE IN CERTAIN IMPORTANT ASPECTS AS OUTSIDE THE TUC WAGE GUIDELINES (ELICITED FROM TALKS WITH REPRESENTATIVES OF THE NATIONAL UNION OF MINeworkERS, THE NATIONAL COAL BOARD, EVEN WITH MICHAEL FOOT HIMSELF.) NONE OF COURSE WOULD TESTIFY TO THIS FACT PUBLICLY BUT ALL OF THEM, NONETHELESS, ARE SATISFIED THAT THE MINERS' DEAL WAS THE MOST SATISFACTORY COMPROMISE POSSIBLE AND, IN ANY EVENT, KEEPS THE "COAL COMING." HOWEVER, IT'S THE FORTHCOMING DEALS WHICH TRULY WORRY THE GOVERNMENT -- NOTABLY IN RAILWAYS AND POWER. IN RAILWAYS, THE NEW GENERAL SECRETARY, SIDNEY W/EIGHELL OF NATIONAL RAILWAY WORKERS (NUR), APPEARS DETERMINED TO SHOW HIS METTLE AND HE HAS PUBLICLY PROCLAIMED THAT HE WANTS FOR HIS UNION THE SAME RESULTS AS AT LEAST SURFACE MINERS HAVE ACHIEVED. SIMILARLY, THE RIGHT-WING MILITANT LEADER OF THE ELECTRICAL WORKERS (EEPTU), FRANK CHAPPLE, HAS ALSO MADE IT CLEAR THAT HE WILL FOLLOW THE PATH BLAZED BY THE LIMITED OFFICIAL USE

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MINERS. THERE IS OF COURSE ALSO THE GIANT ENGINEERING UNION (AUEW), WHICH IS NEGOTIATING A CLAIM IN APRIL AND WHICH IS AN IMPORTANT PART OF THIS EQUATION.

3. PERIODICALLY, GOVERNMENT MINISTERS HAVE SIGNALLED THEIR OPPOSITION TO BREACHES OF THE SOCIAL CONTRACT OR THREATS OF THEIR OCCURRENCE. AND INCREASINGLY THEY HAVE ACCOMPANIED THESE WARNINGS WITH THREATS OF "VERY

SERIOUS CONSEQUENCES," AS MR. WILSON STATED IT IN THE COMMONS ON TUESDAY (FEBRUARY 25) IF OTHER GROUPS TRIED TO OBTAIN THE SAME GOOD DEAL AS THE MINERS HAVE. HE MADE HIS SPEECH SHORTLY AFTER THE TUC HAD INFORMED HIM THAT IT WAS NOT ABOUT TO "TIGHTEN" ITS WAGE GUIDELINES -- A POSITION WHICH THE TUC GENERAL COUNCIL YESTERDAY CONFIRMED (FEBRUARY 26). MR. HEALEY TOLD A PARTY MEETING ON FEBRUARY 22 THAT WAGE SETTLEMENTS MUST BE AT A LOWER LEVEL, WITH MUCH MORE STRICT ADHERENCE TO THE SOCIAL CONTRACT IF BRITAIN IS TO AVOID GROWING UNEMPLOYMENT.

4. WHAT THEN IS THE TRADE UNION REACTION TO GOVERNMENTAL CONCERNS IN THIS AREA? INITIALLY, AT LEAST THE TUC GENERAL SECRETARY LEN MURRAY WAS SYMPATHETIC. HIS STAFF

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HAD IN FACT PREPARED FOR THE ANNUAL ECONOMIC REVIEW, WHICH WILL BE PUBLISHED NEXT WEEK, SOME LANGUAGE SUGGESTING A "TIGHTENING" OF THE GUIDELINES, INCLUDING A STRICTURE AGAINST INCORPORATING ANTICIPATED COST-OF-LIVING RISES IN WAGE AGREEMENTS. BUT A NUMBER OF UNION LEADERS, PARTICULARLY THOSE WHOSE WAGE ROUNDS ARE NOT LIMITED OFFICIAL USE

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YET OVER FOR THIS YEAR, BALKED. SOME OF THESE LEADERS, SUCH AS THE INCREASINGLY INFLUENTIAL DAVID BASNETT, HEAD OF THE GENERAL AND MUNICIPAL WORKERS UNION, SIMPLY TURN THE QUESTION AROUND. IN A THOUGHTFUL ARTICLE IN THE SUNDAY TIMES, FEBRUARY 23 (BEING POUCHED), HE SEES THE NUMBER ONE PRIORITY TO BE PREVENTING UNEMPLOYMENT (AND THE TUC ECONOMIC REVIEW IS EXPECTED TO CALL FOR REFLATIONARY BUDGET ACTIVITY TO DO SO). HE CHALLENGES THE CHANCELLOR OF THE EXCHEQUER AND THE GOVERNMENT TO "CONCENTRATE ON IMMEDIATE MEASURES TO STEM THE RISE IN UNEMPLOYMENT" - MEASURES HE ACKNOWLEDGES THAT "WILL COST THE EXCHEQUER MONEY," BUT HE SUGGESTS THAT FINANCING UNEMPLOYMENT COMPENSATION IS ALSO VERY COSTLY AND YIELDS NO PRODUCTIVE RETURN.

5. SO IT IS BY NO MEANS FAIR TO SAY THAT THERE IS A CONFRONTATIONAL SITUATION BETWEEN THE TRADE UNIONS AND THE GOVERNMENT. BUT THERE ARE OBVIOUSLY DIFFERENT PERSPECTIVES, AND THE GOVERNMENT AND THE CHANCELLOR, IN PARTICULAR, ARE UNDOUBTEDLY WRESTLING WITH THE DILEMMA WHICH FACES THEM. IF THE GOVERNMENT DOES NOT STIMULATE DEMAND IN ITS SPRING BUDGETARY MEASURES, UNEMPLOYMENT WILL OF COURSE ACCELERATE-- WITH IMPORTANT POLITICAL CONSEQUENCES. IF IT DOES STIMULATE DEMAND -- AND EVEN IF THE SOCIAL CONTRACT WAS OBEDIENTLY ADHERED TO -- THE LIKELY INFLATIONARY SPIRAL WILL POSE SERIOUS PROBLEMS FOR THE BALANCE OF PAYMENTS AND IN TERMS OF EXPORT COMPETITION, WHICH WOULD FURTHER EXACERBATE THE UNEMPLOYMENT PROBLEM. TRADE UNION LEADERS HAVE THEIR OWN CONSTITUENCIES TO CONTEND WITH, AS WELL, AND THE PROBLEM FOR RAILWAY UNION LEADERSHIP IS A GOOD CASE IN POINT. IT COULD BE THAT THE UNTHINKABLE -- FOR THE MOMENT --

OF A STATUTORY POLICY MAY COME TO THE FORE AGAIN AS THE ONLY SOLUTION. THERE ARE A FEW MEMBERS OF THE CABINET WHO HAVE CONSISTENTLY FAVORED THIS IDEA, BUT THE POLITICAL/ECONOMIC CLIMATE STILL MILITATES STRONGLY AGAINST THE IDEA. PRESENTATION OF THE BUDGET, WHICH IS EXPECTED IN MID-APRIL, WILL INDICATE THE DIRECTION THE GOVERNMENT IS LIKELY TO GO.

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